

Message Text

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TO SECSTATE WASHDC 7642
INFO ALL EC CAPITALS
USMISSION GENEVA

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USEEC

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PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: MEETING OF FARM BUREAU TRADE MISSION WITH
COMMISSION OFFICIALS

1. SUMMARY: THE FARM BUREAU MET WITH COMMISSION
OFFICIALS IN A WIDE-RANGING DISCUSSION CONCERNING
VIRTUALLY ALL ASPECTS OF THE MTN. FARM BUREAU STRESSED
ITS COMMITMENT TO A SUCCESSFUL MTN OUTCOME BUT UNDERLINED
THAT FINAL AGREEMENT MUST BE ACCEPTABLE TO U.S. AGRI-
CULTURE. DISCUSSION PARTICULARLY FOCUSED ON INTERNATIONAL
COMMODITY AGREEMENTS FOR WHEAT, COARSE GRAIN, MEAT AND
DAIRY AND AGRICULTURAL EXPORT SUBSIDIES. RE THE JULY 15
DEADLINE, DENMAN EXPRESSED "REASONABLE HOPE" THAT AN
OUTLINE OF MTN WOULD BE AGREED BY THAT DATE; HOWEVER,
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RABOT SAID IT WOULD NOT BE POSSIBLE TO DO ANYTHING ON THE
STRAUSS PRODUCTS BY THAT DATE. END SUMMARY.

2. A 15-MAN FARM BUREAU (FB) TRADE MISSION, HEADED BY
FB PRESIDENT ALLAN GRANT MET WITH COMMISSION OFFICIALS LED
BY DIRECTOR GENERALS DENMAN AND RABOT FOR NEARLY TWO
HOURS ON THURSDAY, JUNE 29. AMBASSADOR HINTON AND USEC

AGRICULTURAL OFFICERS ALSO ATTENDED THE MEETING. DISCUSSION WAS WIDE-RANGING, COVERING VIRTUALLY ALL ASPECTS OF THE MTN. KEY POINTS MADE AT THE MEETING ARE OUTLINED BELOW.

3. GENERAL - FB PRESIDENT GRANT STRESSED THE IMPORTANCE OF A SATISFACTORY AGRICULTURAL SETTLEMENT WITHIN THE MTN AGREEMENT, STATING THAT AMBASSADOR STRAUSS HAD TOLD HIM THAT ANY MTN AGREEMENT MUST BE SATISFACTORY TO U.S. AGRICULTURE. AT THE SAME TIME, HE EMPHASIZED FB COMMITMENT TO THE SUCCESS OF THE MTN. GRANT UNDERLINED FB'S ADAMANT OPPOSITION TO INTERNATIONAL COMMODITY AGREEMENTS (ICA'S) WITH FIXED PRICE PROVISIONS AND THEIR SKEPTICISM AS TO THE ECONOMIC VALUE OF ICA'S IN GENERAL. NONETHELESS, GRANT RECOGNIZED THAT ICA'S WERE POLITICALLY IMPORTANT TO THE EC. HE INDICATED FB WILLINGNESS TO BE FLEXIBLE ON ICA'S AS LONG AS SUCH AGREEMENTS DID NOT EXCEED THE FB "CHOKING POINT" -- I.E. DID NOT INCLUDE FEATURES TOTALLY UNACCEPTABLE TO FB. IN RESPONSE TO FB QUESTION ABOUT THE VAUE OF THE CODES BEING NEGOTIATED IN THE MTN, DENMAN OPINED THAT THE ESTABLISHMENT OF THIS NETWORK OF CODES WILL INCREASE THE IMPORTANCE OF INTERNATIONAL CONSIDERATIONS IN DOMESTIC POLICY FORMULATION.

4. JULY 15 DEADLINE -- DENMAN EXPRESSED THE VIEW THAT THERE WAS A "REASONABLE HOPE" THAT AN OUTLINE OF MTN LIMITED OFFICIAL USE

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WITH "SOME PRECISION" COULD BE AGREED UPON BY JULY 15. BEFORE THEN, THERE WOULD HAVE TO BE A BALANCING OF THE BOOKS ON INDUSTRIAL TARIFFS. DENMAN SAID THE JAPANESE OFFER WAS "LOUSY" AND THE CANADIAN OFFER UNDISTINGUISHED. FOR THIS REASON, THE EC HAD PREPARED A LIST OF POSSIBLE WITHDRAWALS. HE EXPECTS AN AVERAGE CUT OF 30 PERCENT OR SLIGHTLY MORE WOULD BE ACHIEVED. RABOT SAID THAT GUNDELACH FELT IT WOULD BE POSSIBLE TO DO SOMETHING ON THE SO-CALLED STRAUSS PRODUCTS (TOBACCO, CITRUS, ALMONDS, POULTRY) BUT DEFINITELY NOT BEFORE JULY 15. HE SAID THAT GUNDELACH IS NOW PREPARING THE MEMBER STATES TO ACCEPT THE FACT THAT SOMETHING MUST BE DONE IN THIS AREA AND THAT THIS SUBJECT WOULD BE BROACHED AT THE CURRENT MEETING OF THE AGRICULTURAL MINISTERS IN AALBORG, DENMARK. RABOT HINTED THAT MOVEMENT ON THE STRAUSS PRODUCTS WOULD BE MADE EASIER BY FURTHER PROGRESS ON THE ICA'S. WE LATER ASKED BAUMANN (GUNDELACH'S CHIEF OF CABINET) WHEN HE THOUGHT OFFERS ON THESE PRODUCTS MIGHT BE MADE AND WHAT FACTORS CONDITIONED A FAVORABLE RESOLUTION OF THIS ISSUE BY THE MINISTERS. BAUMANN WAS UNWILLING TO HAZARD A GUESS. IN RESPONSE TO AN FB QUESTION AS TO WHETHER THE JULY 15 DEADLINE MIGHT BE RESPECTED WITH THE EXCLUSION OF

AGRICULTURE (LEAVING RESOLUTION OF AGRICULTURAL PROBLEMS UNTIL LATER), DENMAN SAID THAT IT WOULD NOT BE REALISTIC TO EXCLUDE AGRICULTURE EVEN FROM AN OUTLINE AGREEMENT. RABOT SECONDED THIS REPLY.

5. EXPORT SUBSIDIES ON AGRICULTURAL PRODUCTS -- BOTH DENMAN AND RABOT STATED EC POSITION THAT EXISTING GATT ARTICLE XVI WAS PERFECTLY SUFFICIENT IN THIS AREA. HOWEVER, RABOT ACCEPTED U.S. VIEW THAT "TECHNICAL DISCUSSIONS" SHOULD BE HELD TO DETERMINE WHETHER THERE WERE ANY ADVANTAGES TO GREATER SPECIFICITY IN SETTING DOWN RULES DERIVING FROM ARTICLE XVI.

6. WHEAT -- RABOT THOUGHT AGREEMENT ON ICA FOR WHEAT LIMITED OFFICIAL USE

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COULD BE REACHED IN A RELATIVELY SHORT TIME, DESPITE

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DIFFICULTIES OVER THE CONCEPT OF NOTIONAL PRICES. HE FELT THE 30 MILLION TON RESERVE STOCK WAS TOO HIGH AND COULD DEPRESS MARKET PRICES IN SOME CIRCUMSTANCES. SOMETHING IN THE MIDDLE OF THE U.S. AND EC (15 MILLION TON) PROPOSALS WOULD BE MORE ACCEPTABLE. IN DISCUSSING NOTIONAL PRICES, RABOT USED "AS EXAMPLES" \$91 - \$94/MT FOR THE LOWER PRICE, \$200/MT FOR THE UPPER.

7. COARSE GRAINS -- RABOT FELT THAT A CONSULTATIVE AGREEMENT ALONG THE LINES OF THE ARGENTINE FORMULA WAS TOO WEAK. HE SAID THE EC NOW SOUGHT A SORT OF ARGENTINE FORMULA AGREEMENT WITH TRIGGER POINTS, WHERE AS YET UNSPECIFIED NATIONAL MEASURES WOULD BE TAKEN. IF THERE WERE NO TRIGGER POINTS, HE FELT THAT CORRECTIVE ACTION WOULD NOT LIKELY BE TAKEN UNTIL TOO LATE. ASKED WHY THE EC WANTED A COARSE GRAIN AGREEMENT, RABOT CITED EC DESIRE LIMITED OFFICIAL USE

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TO ESTABLISH RULES AND PROCEDURES TO ELIMINATE OR MITIGATE ABNORMAL MARKET SITUATIONS.

8. WITH RESPECT TO THE GRAIN NEGOTIATIONS, COMMISSION MADE SEVERAL OTHER POINTS:

A. THERE WAS NO OVERRIDING SELF-INTEREST BEHIND THE EC'S PUSH FOR ICA'S ON GRAINS. EC COULD EASILY LIVE WITHOUT THEM BUT FAVORS INCREASED INTERNATIONAL COOPERATION LEADING TO MORE ORDERLY MARKETING OF GRAINS.

B. RABOT MENTIONED SERIOUS JAPANESE CONCERN OVER INABILITY OF U.S. TO PROVIDE ASSURANCE OF PRIORITY SUPPLY IN HIGH PRICE SITUATION.

C. IN RESPONSE TO QUESTION AS TO WHETHER THE EC WAS PREPARED TO UNDERTAKE PRODUCTION DISCIPLINE IN ICA'S, RABOT REPEATED STANDARD EC ARGUMENT THAT COST OF HOLDING STOCKS WOULD PERSUADE THE COUNCIL OF MINISTERS TO HOLD DOWN PRICE INCREASES. ALSO, HE SAID ICA'S WOULD PRESUMABLY LIMIT EXPORT RESTITUTIONS ALSO CREATING FINANCIAL PRESSURES FROM STOCK BUILDING AND WOULD TEND TO KEEP EC DOMESTIC PRICES DOWN IN WORLD SURPLUS SITUATIONS.

9. DAIRY -- RABOT FELT THAT AGREEMENT HAD NEARLY BEEN REACHED ON NFD. HE CITED NEED FOR U.S. TO HELP OUT WITH THE NZ PROBLEM. RABOT ALSO MENTIONED EC PROPOSAL FOR A NEW SYSTEM TO REGULATE EC CHEESE EXPORTS TO THE U.S., WHICH WOULD ASSURE THAT COMMUNITY PRODUCTS DID NOT UNDERCUT U.S. PRICES. HE SAID THE U.S. HAD EXPRESSED CONCERN ABOUT THE DIFFICULTY OF MONITORING SUCH AN

ARRANGEMENT AND THAT EC WAS STILL AWAITING A CLEAR U.S.
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OFFER ON DAIRY. FB PRESIDENT GRANT REGARDED EC PROPOSAL
FOR NEW SYSTEM OF CHEESE EXPORTS AS PROMISING. HE
THOUGHT THAT AGREEMENT COULD BE REACHED ON SPECIALTY
CHEESES BUT THAT LITTLE OR NOTHING COULD BE DONE ON
CHEDDAR CHEESE. HE EXPRESSED SYMPATHY RE NZ PROBLEM
BUT THOUGHT IT WOULD BE DIFFICULT FOR U.S. TO DO ANYTHING.

10. MEAT -- RABOT SAID THAT EC WAS WILLING TO MODIFY THE
IMPORT REGIME FOR MEAT FOR PROCESSING SO THAT ANY CHANGE
IN THE TREATMENT OF THESE PRODUCTS WOULD HAVE TO BE
DISCUSSED FIRST WITH THE MAJOR SUPPLIER. HE ASKED IF
U.S. WOULD BE WILLING TO DO THE SAME. IF SO, PERHAPS
A SORT OF GENTLEMEN'S AGREEMENT COULD BE ESTABLISHED
BETWEEN THE MAJOR EXPORTERS AND IMPORTERS. HINTON

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